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Factors Influencing Financial Management Behavior

Muhammad Deni Wahyu Pratama[1]; Embun Suryani[2]; Akhmad Saufi[2]

[1] Master's Student in Management, University of Mataram, Indonesia

[2] Supervisor, Lecture of Management, Faculty of Economics and Business, University of Mataram, Indonesia

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Abstract

This study aims to investigate the effect of financial knowledge and financial attitude on financial management behavior, with self-efficacy acting as a mediating variable among Creative Economy MSME actors across Lombok Island. Employing a causal associative design with a quantitative approach, the sample consists of 100 respondents selected through proportional random sampling from the total MSME actor population. The results indicate that financial knowledge has a significant and positive impact on financial management behavior and self-efficacy. Conversely, financial attitude has an insignificant and positive impact on financial management behavior and on self-efficacy. Self-efficacy itself does not have a significant and positive effect on financial management behavior, nor does it mediate the relationship between financial knowledge and financial management behavior, or between financial attitude and financial management behavior. The study aims to provide valuable insights for MSME actors.

Keywords: *Financial Knowledge; Financial Attitude; Self-Efficacy; Financial Management Behavior*

Introduction

Financial management behavior refers to the actions individuals take in handling their finances, influenced by psychological subjectivity and personal experiences (Humaira & Sagoro, 2018). It encompasses a person's ability to manage daily financial activities, including planning, budgeting, controlling, utilizing, sourcing, and saving funds (Kholiah & Iramani, 2013). Financial behavior can be described as any human behavior related to money management (Xiao, 2016). According to Nguyen Thi Ngoc Mien (2015), student financial behavior is influenced by financial attitude, financial knowledge, and external control factors. Ida and Dwinta (2010) further identified factors such as locus of control, financial know-how, and income as influences on financial management behavior. Key indicators for measuring financial management behavior include financial planning, assurance, evaluation, and control. Lusardi and Mitchell (2014) highlighted financial knowledge, financial attitude, and personality as significant factors affecting financial management behavior. This aligns with Utami (2021), who found that these factors have a positive and significant impact on financial management behavior. Additionally, research by I. R. Putri and Tasman (2019) pointed out that financial and educational experiences also play a role in shaping financial management behavior.

Financial knowledge encompasses a broad comprehension of financial topics including cash flows, debt management, savings strategies, and investment principles. Mundy and Musoke (2011) stress the necessity for consumers to have a strong grasp of financial concepts like budgeting, financial planning, savings, investments, and regulations, along with the related risks. Lusardi (2008) highlighted the necessity for individuals to be financially literate, given the complexity of financial instruments and everyday financial decisions. The Organization for Economic Cooperation and Development (OECD, 2017) pointed out that better knowledge and understanding of financial concepts and risks can enhance financial decision-making among both adults and young people. Financial knowledge is a multifaceted construct that includes an understanding of financial resources, capital market functions, financial contracts, cash flow management, and cash management systems. While debt can be a profitable source of finance, managers of family-owned enterprises often harbor fears and prejudices about using external financial resources due to concerns over control and risk monitoring (e.g., McConaughy, Matthews, and Fialko, 2001). Financial attitude refers to an individual's perspective towards financial matters. The crucial aspect is the ability to save money and plan ahead (Rai et al., 2019). Muhammad & Nadia (2018) define financial attitude as a psychological perspective on money, demonstrated by the ability to manage spending, develop financial plans, budget, and make prudent financial decisions. Zahroh (2014) identified key indicators of financial attitude, including personal integrity orientation, money security, and personal finance assessment.

Self-efficacy is the belief in one’s ability to manage personal finances effectively. It plays a vital role in financial self-management, as a person can maximize their potential when their self-efficacy is strong. This belief in managing finances well to achieve financial goals aligns with research by Mayasari & Sijabat (2017), cited in N. L. and A. N. Rizkiawati (2018), which found that financial self-efficacy positively and significantly influences financial management behavior. Self-efficacy should be viewed as an individual's belief in their capability to "regulate and implement the path of action necessary to achieve a specific performance" (Bandura, 1997:3). Financial knowledge refers to the understanding an individual has about their financial situation, enabling them to make informed decisions based on current financial conditions (Delavande et al., 2008). When grounded in self-efficacy, financial knowledge enhances one's understanding and application of financial concepts. A strong sense of self-efficacy fosters enthusiasm for financial activities and a sense of calm when facing challenges (Chaer, 2016). Good money management begins with a positive financial attitude in one's environment. Griffin & Sibilang (2022) suggest that financial attitude reflects an individual's mindset and opinions in determining their financial stance.

Self-efficacy mediates the relationship between financial attitude and financial behavior by influencing how decisions and attitudes are formed in financial management. It strengthens the impact of financial attitude on managing finances (Rindivenessia & Fikri, 2021). Social cognitive theory further explains this relationship, indicating that financial attitudes encompass individuals' affective evaluations of financial topics, including their perceptions, judgments, and feelings about personal finance matters such as saving, investing, debt, and risk management.

Methodology

This research utilizes an associative design with a quantitative methodology. Causal associative research investigates the relationships between two or more variables (Sugiyono, 2014). Quantitative research entails explaining phenomena by collecting numerical data and analyzing it through mathematical methods (Cresswell, 2014). Consequently, this study aims to assess the factors influencing financial management behavior, with self-efficacy acting as a mediating variable. The data analysis was conducted using PLS-SEM via Smart PLS 3.0 software.

Results and Discussions

The evaluation of the structural model or hypothesis testing is carried out using the bootstrapping process (percentile method). The statistical test applied in this process is the t-test. For a two-tailed test, the t-value criterion is 1.96 at a 5% significance level. The hypothesis is considered accepted if the t-statistic exceeds t-table or if the significance value is less than 0.05:

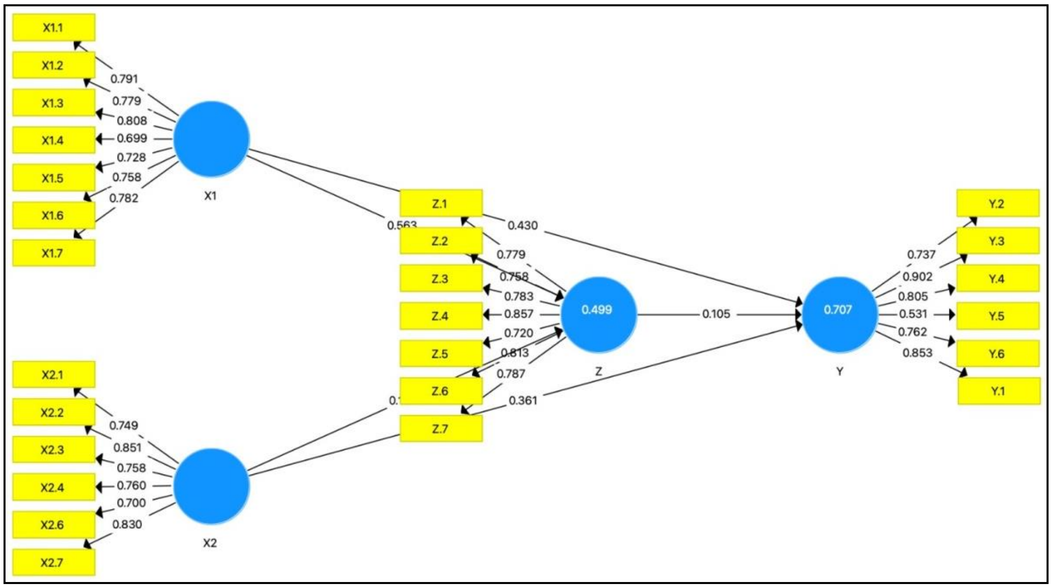

Figure 1. Path Coefficient

Table 1. Path Coefficient

Relationship between variables	Path Coefficient	T-Statistics	P-Value	Conclusion
Financial Knowledge → Financial Management Behavior	0.190	2.263	0.024	Accepted
Financial Knowledge → Self-efficacy	0.210	2.680	0.008	Accepted
Financial Attitude → Financial Management Behavior	0.201	1.795	0.073	Rejected
Financial Attitude → Self-efficacy	0.200	0.803	0.422	Rejected
Self-efficacy → Financial Management Behavior	0.139	0.756	0.450	Rejected
Financial Knowledge → Self-efficacy → Financial Management Behavior	0.078	0.759	0.448	Rejected
Financial Attitude → Self-efficacy → Financial Management Behavior	0.048	0.351	0.726	Rejected

Financial Knowledge on Financial Management Behaviour

The data calculation results in Indonesia indicate that financial knowledge has a significant and positive impact on financial management behavior, thereby accepting hypothesis one (H-1). This confirms that continuously increasing financial knowledge can significantly enhance the ability of MSME actors in Indonesia to exhibit good financial management behavior in their business financial activities. The implication in the current era, according to the theory of planned behavior, which explains that an individual performs an action due to a specific goal, can be useful and facilitate the application for bank credit loans or assistance from local governments. In this case, to be able to produce good financial reports, MSME actors must equip themselves with good financial knowledge and skills through both formal and non-formal education. Thus, this research provides a valuable contribution to understanding the importance of MSME actors in enhancing their financial knowledge to develop good business financial management behavior. The results of this study are consistent with research conducted by Rizkiawati & Haryono (2018), Pramedi & Asandimitra (2021), Prihartono & Asandimitra (2018), and Dwiastanti (2017), which state that financial knowledge does not significantly affect financial management behavior. However, this study does not align with the findings of Sari & Listiadi (2021), Wasita et al. (2022), and Wulandari (2023), which indicate that financial knowledge does influence financial management behavior.

Financial Knowledge on Self-Efficacy

Good financial knowledge among business actors does not necessarily lead to a broad perspective on financial aspects. This causes creative economy MSME actors to feel confident in their abilities, which benefits them in managing personal financial aspects and making financial decisions. As a result, cognitive abilities related to finance enhance students' Self-efficacy regarding financial aspects. This finding is not consistent with social cognitive theory, which explains that Self-efficacy is a key variable influencing self-regulated learning (Schunk, 1986). According to Bandura (1997), Self-efficacy beliefs are a key factor in human agency. The results of this study do not align with research conducted by Herawati et al. (2018), Asandimitra & Kautsar (2019), and Ubaidillah (2019), which state that financial knowledge positively influences Self-efficacy.

Financial Attitude on Financial Management Behavior

This study aligns with the views of Rizkiawati and Asandimitra (2018) and Wulandari (2023), which state that financial Attitude do not affect financial management behavior, as each respondent has different perspectives (mindsets) regarding finance, including how they handle their financial situations. However, the results of this study do not align with the research conducted by Amanah et al. (2021), which indicates that financial Attitude partially influence financial management behavior. This is also supported by Mien & Thao (2015) and Herdjiono et al. (2016), who found a positive impact of financial Attitude on financial management behavior. Additionally, there is no difference in financial management behavior between respondents with poor financial Attitude and those with good financial Attitude when comparing the average scores of their responses. MSME actors do not significantly incorporate financial Attitude into their business operations or do not place much importance on financial assessments in their businesses. It can be concluded that neglecting financial Attitude can have a negative impact on business actors, as poor financial.

Financial Attitude on Self-Efficacy

This study aligns with the research by Rizkiawati and Asandimitra (2020), which revealed that financial Attitude do not have a significant and positive impact on Self-efficacy. However, this study does not align with the findings of Farrell et al. (2018) and Shim and Tang (2019), which demonstrated that financial Attitude positively influence Self-efficacy. Financial Attitude can indeed affect an individual's Self-efficacy in managing finances. Therefore, it can be concluded that there is a significant relationship between financial Attitude and Self-efficacy in financial management. However, other factors such as experience and social support can also influence Self-efficacy. Thus, it is important for individuals to acquire sufficient knowledge and appropriate social support to enhance their Self-efficacy in managing personal finances.

Self-efficacy on Financial Management Behaviour

Individuals with high Self-efficacy tend to have good abilities in strategizing and financial planning. They feel confident that they can develop effective plans, allocate resources wisely, and make rational decisions in financial management. High Self-efficacy allows individuals to see financial challenges as opportunities that they can overcome well. Cognitive social theory emphasizes that individuals can gain knowledge, skills and beliefs through observation of others. In the context of Self-efficacy in financial management, individuals can observe and imitate the behavior of others who are successful in managing their finances well. Through these observations, individuals' Self-efficacy can increase and influence their financial management behavior. The results of this study are in line with research (Herawati et al., 2018) and (Wardani et al., 2022) which show that Self-efficacy has a positive effect on financial management behavior. However, this research is not in line with the results of proposed by (Harianto & Isbanah, 2021) that financial Self-efficacy does not affect financial management behavior.

Financial Knowledge and Financial Attitude on Financial Management Behaviour Mediated by Self-Efficacy

The results of this study are not in line with research conducted by Puspita and Isnalita (2019) & Ramalho and Forte (2018) which provides empirical evidence that Self-efficacy is able to mediate the effect of financial knowledge on financial behavior. Based on this research, increasing financial knowledge possessed by MSME actors will not increase self-confidence related to financial aspects, so that growing self-confidence will not have a significant effect in shaping good financial behavior, especially related to financial decision making. Self-efficacy as self-confidence in self- competence in dealing with finances shows differences, some show concern and a sense of lack of confidence to make investments, or a cautious attitude towards financial cash flow. When the confidence to address finance is low, the level of courage in making financial decisions will also be low, which in turn can affect financial management and vice versa. The results of this study are not in line with the research of Rochmawati & Dewi (2020) which proves that financial Self-efficacy can mediate financial Attitude towards financial management behavior, as well as research (Qamar et al., 2016) that financial Self-efficacy positively mediates the relationship between financial Attitude and financial behavior. Different results were also shown by researchers (Fazli Sabri et al., 2020) that financial Attitude, financial practices, and efficacy have a positive and significant effect on financial well-being.

Conclusion

Based on the research results and discussion described above, the following conclusions can be drawn from this research:

1. Financial knowledge has a significant and positive effect on financial management.
2. Financial Knowledge on Self-efficacy has a significant and positive effect on MSME.
3. Financial Attitude have an insignificant and positive effect on financial management behavior in MSME.
4. Financial Attitude towards Self-efficacy have no significant and positive effect on MSME.
5. Self-efficacy has no significant and positive effect on financial management behavior in MSME.
6. Self-efficacy in mediating financial knowledge on financial management behavior has no significant and positive effect on MSME.

7. Self-efficacy in mediating financial Attitude towards financial management behavior has no significant and positive effect on MSME.

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